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INFORMATION REPORT

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COUNTRY Austria

**CONFIDENTIAL**

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SUBJECT Marketing Difficulties in USIA-  
Controlled Siemens-Schuckert

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- 124.2 17M  
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- Following the visit of a USIA representative in March 1948 to the (non-USIA) central office of Siemens-Schuckert ( ), a meeting took place early in April 1948 between IVANOV, head of the Electrical Industry Section of USIA, and Director ZEHETNER of the Siemens-Schuckert central office. IVANOV renewed an earlier proposal that the Siemens central office in Vienna take over sales and distribution of the products of USIA-controlled Siemens plants. Since ZEHETNER was not successful in obtaining such specific details of the Soviet offer as discount, guarantee of exclusive management, and exact prices, the discussions were terminated. 25X1A
  - On 20 April 1948, Director Friedrich TURP of the USIA-controlled Siemens plant in Engerthstrasse, Vienna XX, informed the central office that, since the Engerthstrasse plant could find no market for its products through usual USIA channels, the Soviets had decided to allow the Austrian management of the plant to dispose of its production. On this occasion, he offered motors to the central office for the so-called "III Price", plus a 40% mark-up. (A III " indicates actual production cost of the motor plus a 25% mark-up to cover variable overhead and marketing costs; therefore, the A III plus 40% is a 65% markup over the production price.) Again no agreement could be reached, since ZEHETNER, commercial director of the central office, considered the prices too high. 25X1A
  - On 25 April 1948, Engr. Hugo WOLF, who has been employed for many years at the Engerthstrasse plant, informed the main office that IVANOV had offered him the position of director of a sales organization dealing in all products manufactured by USIA-controlled electrical firms. The firms were to include the Siemensstrasse and Engerthstrasse Siemens plants, the Siemens cable factory, AEG, and Brown-Boveri. For this service, WOLF was offered 1500 schillings per month plus a commission of 1% on all sales. He stated, however, that while the offer was financially attractive, he was afraid to accept for fear of alienating the Siemens central office, and therefore losing his job in the event of a State treaty and eventual withdrawal of the Soviets. (Comment: WOLF subsequently refused the offer, and the position was taken by one ANGELHARTER, an independent trade representative). 25X1A

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- TUPY, during the month of April 1948, tried hard to market all or part of an estimated 4000 motors in storage at the Engerthstrasse plant. On 8 April 1948, he offered Dr. DAX, Siemens representative in Innsbruck, more than 1000 motors for distribution solely in the western zones of Austria at prices considerably lower than those mentioned by IVANOV in his previous offer to ZEHETNER. DAX, acting on advice from the central office, refused TUPY's offer as too high.
5. About 25 April 1948, TUPY offered the same motors to Engr. MERK, Siemens representative in Linz, and was again refused. Thereupon, TUPY offered them to Dr. KOEHLIG of the Provincial Chamber of Commerce of Upper Austria, but again met with refusal.
6. By 26 April 1948, TUPY was offering 4000 motors, 10 HP and under, for sale in Vienna at the following prices:

3 HP motors	-	880 schillings
4 HP motors	-	1020 schillings
10 HP motors	-	1800 schillings

One such offer was made to Engineer WINKLER of the Austrian Economic Group for the Electrical Industry, who persuaded TUPY to lower his price still further. WINKLER then bought 200 of the motors, passed them on to the Siemens-Schuckert central office, which, in turn, sold them to the Upper Austrian Chamber of Commerce at a price roughly half that which TUPY had asked of the Chamber on his visit to Linz. Comment: TUPY's efforts to sell USIA-product motors at almost any price seem to indicate an acute schilling shortage on the part of a large USIA enterprise, as well as strong buyers' resistance to USIA products in general. The sale of motors at such prices as those quoted above, while still above Austrian ceiling prices, cannot represent more than a very small profit for USIA, in view of Soviet administrative confusion and inept marketing methods. Furthermore, the prices quoted above represent a drop of approximately 50% within one week. It is also noteworthy that about half of the motors are of the 220/280 volt type, which is almost unusable in Austria, where industry is geared to the 380/660 volt type. The 220/380 volt motor further requires a special exciter, or starter motor, which not only adds to the cost, but renders it less desirable than the 380/660 volt product. It is not known why Engineer KOEHLIG, technical director of the Engerthstrasse plant, permitted production of a motor unsuitable for sale in Austria.)

Besides TUPY, there are a number of wholesalers - among them the firms Gzadil and Halles in Vienna, and Hitzinger in Linz - who have overloaded themselves with motors from the Engerthstrasse factory and now find themselves unable to get rid of their stocks, since they are forced to ask very high prices to recover their outlay for purchase of the motors. Comment: Probably, the difficulties of dealers in some USIA goods will increase rather than decrease by virtue of a recent order from the Austrian price control authorities. According to this order, issued about 1 May 1948, buying or selling of controlled (bewirtschaftet) goods at prices in excess of the government ceilings is punishable by law, whether or not the goods in question come from "Allied sources". The innumerable middlemen and profiteers who have traded on USIA's monopoly position in a number of items will suffer along with USIA from such action on the part of the government. Firms will no longer be able to justify their higher than ceiling prices by means of the so-called "USIA invoices", since the authorities now no longer see fit to regard USIA prices as constituting a proper price basis.)

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